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THE NEW YORKER MAGAZINE, INC.

ANNUAL REPORT

1964



THE NEW YORKER MAGAZINE, INC.

TO THE STOCKHOLDERS:

The New Yorker's financial report for the year 1964 is presented herewith—including a table of comparative figures for the last five years.

The printing of the magazine at the plant of R. R. Donnelley & Sons, in Chicago, began with the issue of May 9, 1964—as scheduled; credit is due all those involved in the operation. Eight months (May through December) of costs for printing and distributing the magazine in the new operation, in combination with the January-April costs of the former operation, are reflected in the total expenses for the year. Some of the costs were incurred in making the change as smooth as possible. A normal operational cost for a twelve-month period on the new basis will be known, of course, at the end of 1965.

The advertising pages carried in 1964 totalled 5,959 (5,677 in 1963; 5,381 in 1962); advertising income totalled \$20,087,952; and 1964 circulation revenue exceeded, by \$156,307, that of 1963. The Company's net income, after Federal income tax, was \$310,000 more than in the year 1963.

Costs continue to increase for this Company, as for business in general. In 1965, the postage cost of mailing the magazine to our subscribers will be an estimated \$75,000 more than in 1964 because of a postal-rate increase effective January 1, 1965, with a further rate increase in the offing. Effective with the first issue of 1965, the advertising rates were increased by approximately 6% over the rates in effect during 1963 and 1964.

In the ten years since 1954 annual expenses have doubled: from \$9,081,727 to \$18,041,976, in ratio to which the Company's capital stock account is unsoundly low. Accordingly, the stockholders will be asked to approve an increase in the par value of the Company's stock from the present \$10 par value per share to \$25 par value per share.

The annual report for 1963 commented on the increased newsstand sales of the magazine in the first half of that year (averaging 122,031 as against 109,197 in 1962) as due, no doubt, in part to the complete shut-down of New York City newspapers during January, February, and March, 1963. Newsstand sales in the first half of 1964 averaged 119,024. It is of interest that this was only 3,000 less than average newsstand sales in the unusual circumstances of the first half of 1963, and was 10,000 more than average sales in the corresponding period of 1962. The average newsstand sales continued at 119,000 during the second half of 1964. Total average circulation of the magazine, newsstand sales and subscriptions combined, was 465,243 in 1964 (as against 445,252 in 1962 and 466,103 in 1963). This, under a policy of long standing, without any high-pressure promotion and notwithstanding that subscription prices (which we have always required be paid in advance) were increased with the issue of September 7, 1963.

Any questions as to matters covered in this report or any other phase of our business will be answered to the best of our ability.

February 17, 1965

Respectfully submitted,

R. H. FLEISCHMANN,
President and Chairman

COMPARATIVE FIGURES

Below are some comparative figures on various phases of our business, covering the past five years:

	1964	1963	1962	1961	1960
Average net paid circulation	465,243	466,103	445,252	435,198	428,189
Circulation income	\$2,940,351	\$2,784,044	\$2,667,994	\$2,699,208	\$2,854,026
Advertising pages	5,959	5,677	5,381	5,131	5,536
Advertising income	\$20,087,952	\$18,875,659	\$17,084,144	\$16,186,267	\$15,752,462
Expenses	\$18,041,976	\$16,905,506	\$15,529,151	\$14,882,975	\$14,833,653
Taxes (a)	\$2,630,000	\$2,640,000	\$2,386,000	\$2,208,000	\$2,066,500
Net Profit	\$2,660,408	\$2,349,647	\$2,028,186	\$1,976,753	\$1,866,138
Profit per share (b)	\$9.64	\$8.53	\$7.38	\$7.21	\$6.83

(a) Federal Taxes on Income. Other taxes included in "Expenses."

(b) Per share of stock issued, less stock held in treasury.

BALANCE SHEET

DECEMBER 26, 1964

ASSETS

CURRENT ASSETS:

Cash		\$ 4,139,659
United States Government securities, including \$1,200,000 par value of tax anticipation bills (market value \$4,287,931)		4,285,350
Accounts receivable, advances, etc.	\$1,908,408	
Less estimated cash discounts, returns and doubtful accounts ..	86,199	1,822,209
Inventories at cost:		
Drawings, manuscripts and engravings	\$ 824,255	
Paper, stationery and supplies	646,442	1,470,697
		<u>\$11,717,915</u>

STATE AND MUNICIPAL OBLIGATIONS AND CASH SEGREGATED TO APPLY AGAINST THE LIABILITY FOR UNEARNED SUBSCRIPTION REVENUE—PER CONTRA (securities are at cost which is approximate market value)		2,000,000
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PROPERTY (at cost) (Note 1):

Printing machinery and equipment (Note 2), less depreciation of \$89,530	\$1,924,893	
Other equipment, furniture and fixtures, less depreciation of \$197,539	220,285	
Leasehold improvements, less amortization of \$67,587	94,622	2,239,800
"THE NEW YORKER" TRADE NAME		1
DEFERRED CHARGES TO FUTURE OPERATIONS		774,604
		<u>\$16,732,320</u>

LIABILITIES

CURRENT LIABILITIES:

Accounts payable and accrued expenses (Note 2)	\$1,067,229	
Taxes payable (other than Federal income tax)	168,918	
Federal income tax (less 1964 investment credit of \$9000)	1,472,930	\$ 2,709,077

LIABILITY FOR UNEARNED SUBSCRIPTION REVENUE	2,005,913
FEDERAL INVESTMENT CREDITS DEFERRED (Note 1)	144,200

CAPITAL STOCK:

Authorized—300,000 shares at \$10 par value each	
Issued—283,647 shares, less 7,653 shares held in treasury	2,759,940

SURPLUS:

Capital surplus	1,189,920
Surplus appropriated for the purchase of machinery and equipment	2,247,200
Earned surplus balance	5,676,070
	<u>\$16,732,320</u>

The accompanying notes are an in

STATEMENT OF INCOME

FOR THE FISCAL YEAR ENDED DECEMBER 26, 1964

INCOME:

Gross revenue from advertising, subscriptions, newsstand sales and miscellaneous sources	\$23,332,385
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EXPENSES:

Cost of producing and distributing the magazine and of securing advertisements and subscriptions	\$15,204,175	
General and administrative, including contributions to the Company's group annuity and participation plans	2,837,801	18,041,976
		\$ 5,290,409
Federal income tax		2,630,000
Net income		<u>\$ 2,660,409</u>

STATEMENT OF SURPLUS

FOR THE FISCAL YEAR ENDED DECEMBER 26, 1964

	<i>Capital surplus</i>	<i>Earned surplus As per Note 2</i>	<i>Balance</i>
Balances, December 28, 1963	\$1,122,420	\$2,247,200	\$4,471,485
<i>Add:</i>			
Excess of value of treasury stock issued for services over par value thereof	67,500		
Net income for the year ended December 26, 1964 ..			2,660,409
Portion of fully funded past service annuity plan costs, paid in 1960, charged to 1964 income and restored to surplus			59,173
	<u>\$1,189,920</u>	<u>\$2,247,200</u>	<u>\$7,191,067</u>
<i>Deduct:</i>			
Dividends declared and paid at the rate of \$5.50 per share			1,514,997
Balances, December 26, 1964	<u>\$1,189,920</u>	<u>\$2,247,200</u>	<u>\$5,676,070</u>

Notes To Financial Statements:

Note 1: Under provisions of the Revenue Act of 1964, investment credits for 1962 and 1963 totaling \$142,943 have been restored to the cost bases of the property accounts affected. The Company is accounting for such credits over the expected productive lives of such properties. The investment credit for 1964 is not material in amount, does not affect the cost bases of property accounts, and is being accounted for as stated above.

Note 2: Under a long-term contract with R. R. Donnelley & Sons Company providing for the printing and shipping of The New Yorker Magazine, the Company was committed on December 30, 1961 to expend a maximum of \$2,247,200 for the purchase and installation of printing presses and auxiliary equipment (plus any additional cost resulting from delays or contingencies beyond the control of the Donnelley Company). Progress payments made on account of construction of such presses and equipment during the period 1962 through 1964 amounted to \$2,014,423. The balance of the cost will be payable in 1965. Under terms and conditions set forth in the contract, the Donnelley Company has agreed to purchase such presses and equipment at the cost thereof to the Company, less depreciation, not later than April 1, 1969, or earlier at its option. In accordance with a resolution of the Board of Directors, \$2,247,200 has been appropriated from earned surplus to reflect the application of said sum to the above commitment.



MAIN, LAFRENTZ & Co.
CERTIFIED PUBLIC ACCOUNTANTS
90 PARK AVENUE
NEW YORK, N. Y. 10016

TO THE PRESIDENT AND DIRECTORS OF
THE NEW YORKER MAGAZINE, INC.

We have examined the balance sheet of The New Yorker Magazine, Inc. as of December 26, 1964 and the related statements of income and surplus for the fiscal year then ended. Our examination was made in accordance with generally accepted auditing standards and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

In our opinion, the accompanying balance sheet and statements of income and surplus present fairly the financial position of The New Yorker Magazine, Inc. at December 26, 1964, and the results of its operations for the fiscal year then ended, in conformity with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

MAIN, LAFRENTZ & Co.

New York, New York
February 11, 1965

THE NEW YORKER MAGAZINE, INC.

OFFICERS

R. H. FLEISCHMANN	<i>President and Chairman</i>
A. J. RUSSELL, JR.	<i>Executive Vice President</i>
MILTON GREENSTEIN	<i>Vice President</i>
F. S. NORMAN	<i>Vice President</i>
ROBERT S. OGDEN	<i>Vice President</i>
E. R. SPAULDING	<i>Vice President</i>
R. HAWLEY TRUAX	<i>Vice President</i>
PETER F. FLEISCHMANN	<i>Treasurer and Ass't Secretary</i>
J. KENNARD BOSEE, 3RD	<i>Ass't Treasurer</i>
M. L. FRIES	<i>Secretary & Comptroller</i>

DIRECTORS

RAYMOND B. BOWEN	ALFRED H. HETKIN
PETER F. FLEISCHMANN	A. J. RUSSELL, JR.
R. H. FLEISCHMANN	E. R. SPAULDING
MILTON GREENSTEIN	R. HAWLEY TRUAX

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